



Legislative Audit Division

State of Montana

Report to the Legislature

September 2004

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2004

Office of the Governor and Lieutenant Governor

We issued an unqualified opinion on the financial schedules contained in this report.

This report contains no recommendations related to the Office of the Governor and Lieutenant Governor.

**Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705**

04-23

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2005, will be issued by March 31, 2006. The Single Audit Report for the two fiscal years ended June 30, 2003, was issued on March 23, 2004. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

September 2004

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ending June 30, 2004. The objectives of our audit included determining if the financial schedules present fairly the office's results of operations for each of the two fiscal years ending June 30, 2004; assessing the office's compliance with applicable laws and regulations; determining implementation status of prior audit recommendations; and determining if the office has effective internal controls.

The office was created upon acceptance of Montana into the Union in 1889, and is provided for in Article VI of the Montana Constitution. The office had 52 full-time equivalent positions in fiscal year 2003-04. The office administers the following programs:

- The Executive Office (25 FTE) oversees and directs the activities of the executive branch agencies. The Executive Office program administers special programs that impact citizens and governmental concerns. These special programs include the Office of Economic Opportunity and the Mental Health Ombudsman. The Executive Office program also administered the Flathead Basin Commission and the Montana Consensus Council until July 1, 2003, when they were moved to the Department of Natural Resources and Conservation and the Department of Administration, respectively. The expenditures related to these activities were \$619,001 in fiscal year 2002-03. The fiscal year 2002-03 revenue related to these activities included \$447,580 in the State Special Revenue Fund and \$45,077 in the Federal Special Revenue Fund.
- The Lieutenant Governor (4 FTE) performs duties prescribed by law and those delegated by the Governor.
- The Office of Budget and Program Planning (OBPP) (12 FTE) assists the Governor in planning, preparing, and administering the state budget. OBPP prepares and monitors revenue estimates and collections. It also develops and evaluates alternative program plans for providing state government services. In addition, the OBPP acts as the lead executive branch agency for compliance with the federal Single Audit Act.
- The Citizens' Advocate Office (1.5 FTE) provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies.
- The Mental Disabilities Board of Visitors (5 FTE) protects the rights of the mentally ill and the developmentally disabled.

- The Mansion Maintenance program (1.5 FTE) maintains the Governor's official residence.
- The Air Transportation program (1 FTE) provides transportation for the Governor and the Governor's staff.
- The Coordinator of Indian Affairs (2 FTE) serves as the Governor's liaison with the state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the legislative and executive branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs, and acts as spokesperson for representative Native American organizations and groups, both public and private.

The office is primarily funded through appropriations from the General Fund. The office also has various agreements with other state agencies that result in some federal and state special revenue funding.

We performed the prior audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ending June 30, 2002. The report contained one recommendation, which the office implemented.

This report does not contain any recommendations to the office. Areas of concern deemed to not have a significant effect on the successful operations of the office are not included in this report, but have been discussed with management.

Beginning on page A-1, you will find the Independent Auditor's Report followed by the financial schedules and accompanying notes. We issued an unqualified opinion, which means the reader can rely on the information presented. The office's response to the audit is on B-1.

We thank the Governor, Lieutenant Governor, and their staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

(Signature on File)

Scott A. Seacat
Legislative Auditor

Elected and Administrative Officials

Office of the Governor and Lieutenant Governor

Governor	Judy Martz
Lieutenant Governor	Karl Ohs
Chief of Staff	Barbara Ranf
Centralized Services Administrator	Mary Jo Murray

For additional information concerning the Office of the Governor
and Lieutenant Governor contact:

Chuck Butler, Communications Director
Governor's Office
PO Box 200801
Helena MT 59620-0801
(406) 444-3111

e-mail: cbutler@state.mt.us

Members of the audit staff involved in this audit were Pearl M. Allen,
Danielle Gamradt, Vickie Rauser, and Joyce Weber.

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out for the Office of the Governor and Lieutenant Governor for each of the fiscal years ended June 30, 2004, and 2003. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Governor and Lieutenant Governor for each of the fiscal years ended June 30, 2004, and 2003, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

August 11, 2004

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND BALANCE: July 1, 2003	\$ <u>(234,701)</u>	\$ <u>659,474</u>	\$ <u>(9,883)</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	5,576	120,912	9
NonBudgeted Revenues & Transfers-In	1,429	15,684	
Prior Year Revenues & Transfers-In Adjustments		(17,779)	
Direct Entries to Fund Balance	<u>4,004,524</u>	<u>176,780</u>	<u>121,388</u>
Total Additions	<u>4,011,529</u>	<u>295,597</u>	<u>121,397</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	4,244,740	157,794	130,395
NonBudgeted Expenditures & Transfers-Out	(97)	17,070	
Prior Year Expenditures & Transfers-Out Adjustments	<u>25,521</u>	<u>23</u>	
Total Reductions	<u>4,270,164</u>	<u>174,887</u>	<u>130,395</u>
FUND BALANCE: June 30, 2004	\$ <u><u>(493,336)</u></u>	\$ <u><u>780,184</u></u>	\$ <u><u>(18,881)</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND BALANCE: July 1, 2002	\$ <u>(593,459)</u>	\$ <u>746,333</u>	\$ <u>(53,611)</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	6,941	459,696	114,750
NonBudgeted Revenues & Transfers-In	347	72,958	
Prior Year Revenues & Transfers-In Adjustments		18,924	33,666
Direct Entries to Fund Balance	<u>4,325,869</u>	<u>52,409</u>	<u>31,921</u>
Total Additions	<u>4,333,157</u>	<u>603,987</u>	<u>180,337</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	3,981,115	611,563	130,585
NonBudgeted Expenditures & Transfers-Out		72,958	
Prior Year Expenditures & Transfers-Out Adjustments	<u>(6,716)</u>	<u>6,325</u>	<u>6,024</u>
Total Reductions	<u>3,974,399</u>	<u>690,846</u>	<u>136,609</u>
FUND BALANCE: June 30, 2003	\$ <u><u>(234,701)</u></u>	\$ <u><u>659,474</u></u>	\$ <u><u>(9,883)</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Taxes	\$ 525			\$ 525
Charges for Services		\$ 6,675		6,675
Investment Earnings		1,690		1,690
Miscellaneous	6,480	15,684		22,164
Grants, Contracts, Donations and Abandonments		94,768		94,768
Federal			\$ 9	9
Total Revenues & Transfers-In	<u>7,005</u>	<u>118,817</u>	<u>9</u>	<u>125,831</u>
Less: Nonbudgeted Revenues & Transfers-In	1,429	15,684		17,113
Prior Year Revenues & Transfers-In Adjustments		(17,779)		(17,779)
Actual Budgeted Revenues & Transfers-In	<u>5,576</u>	<u>120,912</u>	<u>9</u>	<u>126,497</u>
Estimated Revenues & Transfers-In	10,100	506,660	2,015,122	2,531,882
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ <u>(4,524)</u>	\$ <u>(385,748)</u>	\$ <u>(2,015,113)</u>	\$ <u>(2,405,385)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		\$ (34,325)		(34,325)
Investment Earnings		1,690		1,690
Miscellaneous	\$ (4,524)			(4,524)
Grants, Contracts, Donations and Abandonments		(353,113)		(353,113)
Federal			\$ (2,015,113)	(2,015,113)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ <u>(4,524)</u>	\$ <u>(385,748)</u>	\$ <u>(2,015,113)</u>	\$ <u>(2,405,385)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Taxes	\$ 347			\$ 347
Charges for Services		\$ 153,217		153,217
Investment Earnings		2,357		2,357
Miscellaneous	6,941			6,941
Grants, Contracts, Donations and Abandonments		323,046	\$ 133,836	456,882
Other Financing Sources		72,958		72,958
Federal			14,580	14,580
Total Revenues & Transfers-In	<u>7,288</u>	<u>551,578</u>	<u>148,416</u>	<u>707,282</u>
Less: Nonbudgeted Revenues & Transfers-In	347	72,958		73,305
Prior Year Revenues & Transfers-In Adjustments		18,924	33,666	52,590
Actual Budgeted Revenues & Transfers-In	<u>6,941</u>	<u>459,696</u>	<u>114,750</u>	<u>581,387</u>
Estimated Revenues & Transfers-In	<u>5,100</u>	<u>475,913</u>	<u>75,100</u>	<u>556,113</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,841</u>	<u>\$ (16,217)</u>	<u>\$ 39,650</u>	<u>\$ 25,274</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		\$ (80,486)		(80,486)
Investment Earnings		(4,143)		(4,143)
Miscellaneous	\$ 1,841			1,841
Grants, Contracts, Donations and Abandonments		141,413	\$ 40,070	181,483
Other Financing Sources		(73,000)		(73,000)
Federal		(1)	(420)	(421)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,841</u>	<u>\$ (16,217)</u>	<u>\$ 39,650</u>	<u>\$ 25,274</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	AIR TRANSPORTATION PROGRAM	CITIZENS' ADVOCATE OFFICE	COORDINATOR OF INDIAN AFFAIRS	EXECUTIVE OFFICE PROGRAM	LIEUTENANT GOVERNOR'S OFFICE	MANSION MAINTENANCE PROGRAM	MENTAL DISABILITIES BOARD OF VISITORS	OFFICE OF BUDGET & PROGRAM PLANNING	TOTAL
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT									
Personal Services									
Salaries	\$ 25,304	\$ 61,968	\$ 38,849	\$ 1,001,700	\$ 172,788	\$ 37,338	\$ 183,751	\$ 836,162	\$ 2,357,860
Employee Benefits	4,974	19,573	11,052	229,779	37,307	15,851	58,195	197,973	574,704
Total	<u>30,278</u>	<u>81,541</u>	<u>49,901</u>	<u>1,231,479</u>	<u>210,095</u>	<u>53,189</u>	<u>241,946</u>	<u>1,034,135</u>	<u>2,932,564</u>
Operating Expenses									
Other Services	10,221	2,688	3,889	661,856	8,449	1,385	16,588	37,928	743,004
Supplies & Materials	40,396	258	1,358	57,945	439	10,082	9,835	6,514	126,827
Communications	1,703	8,231	4,887	48,153	3,618		6,926	11,181	84,699
Travel	20,595		12,780	242,708	9,796	112	17,949	5,610	309,550
Rent			3,504	69,021	10,722		4,716	38,508	126,471
Repair & Maintenance	99,097		442	8,067	617	2,930	2,828	2,854	116,835
Other Expenses	1,642	449	4,138	95,352	2,227	1,831	2,975	33,069	141,683
Total	<u>173,654</u>	<u>11,626</u>	<u>30,998</u>	<u>1,183,102</u>	<u>35,868</u>	<u>16,340</u>	<u>61,817</u>	<u>135,664</u>	<u>1,649,069</u>
Equipment & Intangible Assets									
Equipment				(6,187)					(6,187)
Total				<u>(6,187)</u>					<u>(6,187)</u>
Total Expenditures & Transfers-Out	\$ <u>203,932</u>	\$ <u>93,167</u>	\$ <u>80,899</u>	\$ <u>2,408,394</u>	\$ <u>245,963</u>	\$ <u>69,529</u>	\$ <u>303,763</u>	\$ <u>1,169,799</u>	\$ <u>4,575,446</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 170,272	\$ 78,045	\$ 69,311	\$ 2,258,732	\$ 245,963	\$ 69,529	\$ 208,513	\$ 1,169,799	\$ 4,270,164
State Special Revenue Fund	33,660		11,588	129,639					174,887
Federal Special Revenue Fund		15,122		20,023			95,250		130,395
Total Expenditures & Transfers-Out	<u>203,932</u>	<u>93,167</u>	<u>80,899</u>	<u>2,408,394</u>	<u>245,963</u>	<u>69,529</u>	<u>303,763</u>	<u>1,169,799</u>	<u>4,575,446</u>
Less: Nonbudgeted Expenditures & Transfers-Out				16,973					16,973
Prior Year Expenditures & Transfers-Out Adjustments	<u>235</u>	<u>17</u>		<u>23,618</u>	<u>1,053</u>	<u>44</u>	<u>330</u>	<u>247</u>	<u>25,544</u>
Actual Budgeted Expenditures & Transfers-Out	<u>203,697</u>	<u>93,150</u>	<u>80,899</u>	<u>2,367,803</u>	<u>244,910</u>	<u>69,485</u>	<u>303,433</u>	<u>1,169,552</u>	<u>4,532,929</u>
Budget Authority	<u>219,419</u>	<u>94,957</u>	<u>2,285,527</u>	<u>7,847,630</u>	<u>249,662</u>	<u>80,272</u>	<u>303,693</u>	<u>4,644,904</u>	<u>15,726,064</u>
Unspent Budget Authority	\$ <u>15,722</u>	\$ <u>1,807</u>	\$ <u>2,204,628</u>	\$ <u>5,479,827</u>	\$ <u>4,752</u>	\$ <u>10,787</u>	\$ <u>260</u>	\$ <u>3,475,352</u>	\$ <u>11,193,135</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 8,382	\$ 1,807	\$ 62,216	\$ 126,712	\$ 4,752	\$ 10,787	\$ 67	\$ 1,108,484	\$ 1,323,207
State Special Revenue Fund	7,340		142,412	5,353,114				2,366,868	7,869,734
Federal Special Revenue Fund			2,000,000	1			193		2,000,194
Unspent Budget Authority	\$ <u>15,722</u>	\$ <u>1,807</u>	\$ <u>2,204,628</u>	\$ <u>5,479,827</u>	\$ <u>4,752</u>	\$ <u>10,787</u>	\$ <u>260</u>	\$ <u>3,475,352</u>	\$ <u>11,193,135</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	AIR TRANSPORTATION PROGRAM	CITIZENS' ADVOCATE OFFICE	COORDINATOR OF INDIAN AFFAIRS	EXECUTIVE OFFICE PROGRAM	LIEUTENANT GOVERNOR'S OFFICE	MANSION MAINTENANCE PROGRAM	MENTAL DISABILITIES BOARD OF VISITORS	OFFICE OF BUDGET & PROGRAM PLANNING	TOTAL
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT									
Personal Services									
Salaries	\$ 28,710	\$ 59,919	\$ 36,820	\$ 1,333,829	\$ 172,299	\$ 36,533	\$ 106,952	\$ 734,414	\$ 2,509,476
Employee Benefits	5,578	17,677	9,838	300,576	35,553	14,170	31,919	174,767	590,078
Total	<u>34,288</u>	<u>77,596</u>	<u>46,658</u>	<u>1,634,405</u>	<u>207,852</u>	<u>50,703</u>	<u>138,871</u>	<u>909,181</u>	<u>3,099,554</u>
Operating Expenses									
Other Services	9,403	2,618	4,978	758,645	15,461	1,672	31,710	44,364	868,851
Supplies & Materials	30,197	21	10	61,456	1,421	7,484	6,704	4,787	112,080
Communications	1,230	8,399	3,753	50,710	4,195		3,126	7,150	78,563
Travel	7,152		336	215,826	18,807	55	10,919	405	253,500
Rent			3,138	66,878	8,772		1,308	31,392	111,488
Repair & Maintenance	73,369		434	7,549	611	2,238	397	2,841	87,439
Other Expenses	1,060	456	699	82,907	2,118	837	1,412	27,932	117,421
Total	<u>122,411</u>	<u>11,494</u>	<u>13,348</u>	<u>1,243,971</u>	<u>51,385</u>	<u>12,286</u>	<u>55,576</u>	<u>118,871</u>	<u>1,629,342</u>
Transfers									
Accounting Entity Transfers	72,958								72,958
Total	<u>72,958</u>								<u>72,958</u>
Total Expenditures & Transfers-Out	<u>\$ 229,657</u>	<u>\$ 89,090</u>	<u>\$ 60,006</u>	<u>\$ 2,878,376</u>	<u>\$ 259,237</u>	<u>\$ 62,989</u>	<u>\$ 194,447</u>	<u>\$ 1,028,052</u>	<u>\$ 4,801,854</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 140,699	\$ 74,091	\$ 58,006	\$ 2,165,878	\$ 250,237	\$ 62,989	\$ 194,447	\$ 1,028,052	\$ 3,974,399
State Special Revenue Fund	88,958		2,000	599,888					690,846
Federal Special Revenue Fund		14,999		112,610	9,000				136,609
Total Expenditures & Transfers-Out	<u>229,657</u>	<u>89,090</u>	<u>60,006</u>	<u>2,878,376</u>	<u>259,237</u>	<u>62,989</u>	<u>194,447</u>	<u>1,028,052</u>	<u>4,801,854</u>
Less: Nonbudgeted Expenditures & Transfers-Out	72,958								72,958
Prior Year Expenditures & Transfers-Out Adjustments	662			6,274	77	133	136	(1,649)	5,633
Actual Budgeted Expenditures & Transfers-Out	<u>156,037</u>	<u>89,090</u>	<u>60,006</u>	<u>2,872,102</u>	<u>259,160</u>	<u>62,856</u>	<u>194,311</u>	<u>1,029,701</u>	<u>4,723,263</u>
Budget Authority	195,551	96,794	2,228,327	3,367,828	277,949	84,675	222,747	3,389,361	9,863,232
Unspent Budget Authority	<u>\$ 39,514</u>	<u>\$ 7,704</u>	<u>\$ 2,168,321</u>	<u>\$ 495,726</u>	<u>\$ 18,789</u>	<u>\$ 21,819</u>	<u>\$ 28,436</u>	<u>\$ 2,359,660</u>	<u>\$ 5,139,969</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 39,514	\$ 7,703	\$ 33,927	\$ 356,359	\$ 18,789	\$ 21,819	\$ 21,236	\$ 149,899	\$ 649,246
State Special Revenue Fund			134,394	123,822			7,200	1,822,228	2,087,644
Federal Special Revenue Fund		1	2,000,000	15,545				387,533	2,403,079
Unspent Budget Authority	<u>\$ 39,514</u>	<u>\$ 7,704</u>	<u>\$ 2,168,321</u>	<u>\$ 495,726</u>	<u>\$ 18,789</u>	<u>\$ 21,819</u>	<u>\$ 28,436</u>	<u>\$ 2,359,660</u>	<u>\$ 5,139,969</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Governor's Office

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2004

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General and Special Revenue). In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The office uses the following funds:

Governmental Fund Category

General Fund - to account for all financial resources except those required to be accounted for in another fund.

State Special Revenue Fund – to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific

Notes to the Financial Schedules

purposes. The office's State Special Revenue Fund includes the Environmental Contingency Resource Indemnity Trust, Economic Development Workforce, and in fiscal year 2002-03, the Montana Consensus Council.

Federal Special Revenue Fund – to account for federal funds received by the office primarily associated with the Mental Health Ombudsman.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceeded the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2004, and June 30, 2003.

3. Direct Entries to Fund Balance

Direct entries to fund balance in the General, State Special Revenue and Federal Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies .

4. Change in Activity

Fiscal-year 2002-03 included the activity for the Montana Consensus Council and the Flathead Basin Commission. Beginning in fiscal year 2003-04, the Montana Consensus Council and the Flathead Basin Commission are attached to the Department of Administration and the Department of Natural Resources and Conservation, respectively. The fiscal year 2002-03 expenditures related to this activity includes \$51,142 in the General Fund, \$561,835 in the State Special Revenue Fund, and \$6,024 in the Federal Special Revenue Fund, for a total of \$619,001 in the Executive Office Program. The fiscal year 2002-03 revenue related to this activity includes \$447,580 in the State Special Revenue Fund and \$45,077 in the Federal Special Revenue Fund.

OFFICE OF THE GOVERNOR

STATE OF MONTANA

JUDY MARTZ
GOVERNOR



STATE CAPITOL
PO Box 200801
HELENA, MONTANA 59620-0801

September 20, 2004

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SEP 20 2004

LEGISLATIVE AUDIT DIV.

Mr. Scott Seacat, Legislative Auditor
Room 135, State Capitol
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Seacat:

This letter is in regard to the report on the financial compliance audit of the Offices of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 2004.

We are pleased that the report contains an unqualified opinion on the financial schedules contained in the audit, that we have complied with recommendations from past audits, and that there are no further recommendations related to our offices.

We thank the audit staff for the professional manner in which they conducted the audit, especially during the busy fiscal-year-end and budget preparation period.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Ranf", with a horizontal line extending to the right.

Barbara Ranf
CHIEF OF STAFF